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DE RUEHIN #2817 2282214
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FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC 1656
RUEATRS/DEPT OF TREASURY WASHDC
INFO RUCPDOG/USDOC WASHDC
RUEHBK/AMEMBASSY BANGKOK 3380
RUEHBJ/AMEMBASSY BEIJING 5542
RUEHUL/AMEMBASSY SEOUL 8020
RUEHGP/AMEMBASSY SINGAPORE 6575
RUEHKO/AMEMBASSY TOKYO 7939
RUEHML/AMEMBASSY MANILA 9779
RUEHJA/AMEMBASSY JAKARTA 3909
RUEHKL/AMEMBASSY KUALA LUMPUR 3546
RUEHHI/AMEMBASSY HANOI 3115
RUEHBY/AMEMBASSY CANBERRA 4285
RUEHWL/AMEMBASSY WELLINGTON 1543
RUEHHK/AMCONSUL HONG KONG 6756
RUEHGH/AMCONSUL SHANGHAI 0315
RUEHGZ/AMCONSUL GUANGZHOU 9495

UNCLAS TAIPEI 002817

SIPDIS

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STATE PLEASE PASS USTR

STATE FOR EAP/RSP/TC, EAP/EP

USTR FOR ALTBACH

USDOC FOR 3132/USFCS/OIO/EAP/WZARIT
TREASURY FOR OASIA/LMOGHTADER
TREASURY PLEASE PASS TO OCC/AMCMAHON
TREASURY ALSO PASS TO FEDERAL RESERVE/BOARD OF
GOVERNORS, AND SAN FRANCISCO FRB/TERESA CURRAN

E.O. 12958: N/A

TAGS: [EINV](#) [EFIN](#) [ECON](#) [PINR](#) [TW](#)

SUBJECT: Foreign Portfolio Investment Exempt from AMT

¶1. Summary. The Ministry of Finance (MOF) recently announced it will exempt foreign institutional investors (FIIs) from Taiwan's 10% alternative minimum tax (AMT) if the investment capital comes from offshore. The MOF decision is designed to attract foreign portfolio investment and has interagency endorsement. End Summary.

¶2. On August 14, the MOF issued an administrative order to exempt almost all of foreign portfolio investment from Taiwan's new 10% AMT. The exemption is retroactive to January 1 of this year when the AMT was implemented. According to the order, FIIs without fixed offices or agents in Taiwan are not required to pay the 10% AMT for capital gains earned from securities trading in Taiwan, even if the investment capital is the FIIs' own funds. Taiwan securities firms or other entities contracted by qualifying FIIs to do securities trading are also not required to pay nor withhold the 10% AMT.

¶3. FIIs having fixed offices or agents in Taiwan are not required to pay or withhold the 10% AMT for capital gains from securities trading in Taiwan, if the investment capital comes from offshore and is not their own funds. According to the MOF, mutual funds organized by these FIIs' offshore headquarters are not subject to the 10% AMT because the owners are the offshore fund holders, rather than the FIIs which only serve as fund managers. Funds that offshore customers contract FIIs to trade in Taiwan are also not subject to the 10% AMT.

¶4. However, FIIs having permanent offices or agents in Taiwan are required to pay the 10% AMT on capital gains from securities trading in Taiwan when they use their own funds, even if those funds come from offshore.

Results

¶5. An MOF Department of Taxation official told AIT/T that the administrative order is retroactive to January 1, 2006 when the AMT was implemented. He also estimated that as a result of the order, 99% of foreign portfolio investment in Taiwan will be exempt from the 10% AMT. A Financial Supervisory Commission (FSC) official told us that the MOF order is designed to attract FIIs to Taiwan's securities markets, and that the FSC and Taiwan's Central Bank of China have both endorsed the MOF move.

YOUNG